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C O N F I D E N T I A L SECTION 01 OF 02 TOKYO 002137

SIPDIS

STATE FOR E, EEB AND EAP/J
NSC FOR DANNY RUSSELL AND JIM LOI
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E.O. 12958: DECL: 09/15/2019
TAGS: ECON EFIN PREL PGOV PINR JA
SUBJECT: DPJ MOVES QUICKLY TO CREATE NEW NATIONAL STRATEGY
BUREAU

REF: TOKYO 02061

Classified By: DCM James P. Zumwalt for reasons 1.4(b) and (d).

Summary

¶1. (C) Incoming Democratic Party of Japan (DPJ) Prime Minister Yukio Hatoyama has named former DPJ President Naoto Kan to head a new National Strategy Bureau (NSB), which will be responsible for formulating a framework for the budget and creating a broad domestic policy vision. The DPJ wants the NSB to become the primary organ for political supervision of the policy process in order to shift decision-making from bureaucrats to elected politicians. It appears the NSB will focus on several of the more budget-rich, pork-laden "domestic" bureaucracies, with only limited attention to foreign and national security agencies.

Purpose of the National Strategy Bureau

¶2. (C) The DPJ plans to create a National Strategy Bureau, which will provide a framework of guidelines for the budget and create a broad domestic policy vision, in order to shift the control of government policy from bureaucrats to elected politicians. The DPJ has said it intends to abolish the current Cabinet office that formulates budget priorities, the Council on Economic and Fiscal Policy (CEFP). The NSB reportedly will have broader authority than the CEFP has, and the DPJ hopes that centralizing authority under the NSB will reduce wasteful spending and free up resources for social welfare programs - both promises of the DPJ election campaign. A confidante of DPJ President Hatoyama told Embassy Tokyo that "most of the NSB's attention will be paid to domestic-focused ministries and their budgets and personnel," with only limited coverage of foreign and national security agencies (reftel).

Chief and Personnel of the NSB

¶3. (SBU) The NSB will be headed by Naoto Kan, a former DPJ president who began his career as a political activist and became famous) as Minister of Health - for battling bureaucrats in his own ministry over HIV-tainted blood products. Kan is known as a strong advocate of politician-led reforms of the GOJ bureaucracy. During a

recent visit to the Ministry of Transportation, Kan told officials that the Ministry could get by with one-fifth of its current staff, then responded to an objection by saying, "If you have a problem with that, form a Transportation Party and run in the next election." Kan is slated to also serve as the DPJ's policy chairman, and his office will be located in the Prime Minister's office.

¶4. (SBU) The Diet must pass legislation to grant legal authority to the NSB. The first chance for the Diet to consider a bill creating the NSB as an official government organ will be during the extraordinary parliamentary session this fall. (Note: Currently there is no date set for this session, but it will probably begin in mid to late October. End Note.) Before that time, the DPJ will lay the groundwork for the bureau by creating a provisional office called the National Strategy Office, which will be composed of approximately ten DPJ lawmakers and an advisory panel of approximately ten experts from the private sector and bureaucracy. Reportedly, the NSB eventually will comprise ten DPJ lawmakers and twenty experts and bureaucrats.

Background on the Budget Process

¶5. (SBU) In a typical year for the regular budget, in July the CEFP recommends budget priorities to the Cabinet. In August, the Cabinet issues guidelines for priority budget areas to the ministries and asks for their budget requests. From September to December the ministries negotiate with the Ministry of Finance (MOF) Budget Bureau on their funding

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requests, and members of parliament frequently lobby the Budget Bureau for their preferred expenditures. At the end of December, ministries submit their final requests to MOF which coalates the ministries' requests into the GOJ's overall budget request. The Cabinet submits this budget request to parliament in the end of January, and parliament typically takes about eight weeks to deliberate. By March the parliament approves the budget so that disbursement can begin when the fiscal year starts on April 1.

Comment

¶6. (C) The DPJ has not confirmed specifics such as how the NSB will relate to the existing budget formulation process, the eventual number of personnel, or allocation of power between the NSB, Cabinet, ministries and party leadership. The first items of business for the NSB appear to be reformulating the FY2009 Supplementary Budget and directing priorities for the forthcoming FY2010 Regular Budget. It is unlikely, however, that an NSB of thirty people could effectively oversee the complicated budget process which has traditionally involved hundreds of officials in the Ministry of Finance Budget Bureau.

¶7. (C) Previous administrations have tried) and ultimately failed) to wrest power from the bureaucracy and centralize it under the Prime Minister. One recent example was former Prime Minister Abe's attempt to create a U.S.-styled National Security Council that would answer to him and guide foreign and defense policy. Our understanding is that Hatoyama and his party seek to use the NSB to control several of the more budget-rich, pork-laden "domestic" bureaucracies, such as Health and Welfare, Agriculture, and Land, Infrastructure and Transportation. To what extent Hatoyama and Kan are willing to go after entrenched interests, and possibly risk bureaucrats' digging their heels in, will determine the success of this venture.

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